

**Comprehensive
Annual
Financial
Report**



**ROGUE VALLEY
SEWER SERVICES**

Jackson County, Oregon

For the Years Ended June 30, 2018 and 2017

**Prepared by Finance Department
Brenda Baldovino
Finance Director**

ROGUE VALLEY SEWER SERVICES

Jackson County, Oregon

Comprehensive Annual Financial Report

FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

Prepared by:

Finance Department

ROGUE VALLEY SEWER SERVICES

Years ended June 30, 2018 and 2017

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INTRODUCTORY SECTION





ROGUE VALLEY SEWER SERVICES

Location: 138 West Vilas Road, Central Point - Mailing Address: P.O. Box 3130, Central Point, OR 97502-0005
Tel. (541) 664-6300 or (541) 779-4144 FAX (541) 664-7171 www.RVSS.us

December 11, 2018

To the Honorable Chairman and Board of Directors,

The Comprehensive Annual Financial Report of Rogue Valley Sewer Services (RVS) for fiscal year ended June 30, 2018, is hereby submitted.

This report was prepared in accordance with the provisions of Oregon Revised Statutes Sections 297.405 through 297.555. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the District. We believe the data is accurate and complete in all material respects; that it is presented in a manner designed to present fairly the financial position, results of operations, and changes in cash flows of the District at June 30, 2018, and for the year then ended.

Profile of RVS

The Rogue Valley Sewer Services is a Sanitary District that provides sewer service for rural and urban portions of Jackson County, Oregon, the cities of Talent, Central Point, Jacksonville, Phoenix and Eagle Point, Oregon, and portions of the city of Medford, Oregon. Voters approved formation of the District at a special election dated August 30, 1966. The District was declared established on September 21, 1966. The District's primary purpose is to provide sanitary sewer service to those within its boundaries who may connect to our system as well as to construct and maintain sewers where health hazards exist in rural areas of Jackson County, Oregon.

The District operates the regional interceptor sewer system, which transports flows from the other regional member – the city of Medford. The cities of Central Point, Jacksonville and Phoenix have been annexed into the District in 2000, 2005 and 2006 respectively. The interceptor system consists of the Upper Bear Creek Interceptor, the Lower Bear Creek Interceptor, the North Medford Trunk, the Dunn Pump Station and Pressure Main. The District also operates a sanitary sewer collection system within the service area. Total interceptor and trunk system is approximately 395 miles in length, within a District boundary of about 190 square miles.

The District manages a storm water quality program for the cities of Talent, Phoenix, Central Point, and Jackson County through Intergovernmental agreements with the cities.

The District also operates the sanitary sewer collection system and treatment plant for the City of Shady Cove and the City of Gold Hill through an intergovernmental agreement.

The Board of Directors of the District consists of five elected members. The District is separately governed and was established under Oregon Revised Statutes Chapter 450.705 through .990.

Factors Affecting Financial Condition

As the region continues to recover from the most recent recession, Rogue Valley Sewer Services has seen an increase in new construction which results in increases in development fees and services charges.

Internal Control

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the District are protected from loss, theft or misuse in a cost effective manner. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes two facts. First, the cost of a control should not exceed the benefit likely to be derived. Second, the evaluation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by management and by independent accountants.

All internal control evaluations occur within this framework. We believe the District's systems of internal control adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgeting Controls.

For financial reporting and operating purposes, management considers the District's activities as those of a unitary enterprise operation and, as such, are reported in a single fund in the basic financial statements. However, for budgetary and legal purposes, these activities are accounted for in the funds described below on the modified accrual basis of accounting.

General Fund. The General Fund accounts for the District's normal recurring sewer operations. The primary source of revenue is sewer service fees, maintenance contracts, and service payments. The General Fund also accounts for the construction of new sewer projects and the rehabilitation of existing systems. Assessments levied to finance new projects are accounted for by this fund prior to the sale of bonds. New construction has been primarily financed internally. Major rehabilitation projects have been financed with state revolving loan funds

Bear Creek Interceptor (BCI) Operations and Maintenance Fund. The BCI Operations and Maintenance Fund accounts for the maintenance cost of the Bear Creek Interceptor that is shared by the District and the cities of Medford, Jacksonville, and Phoenix. The actual maintenance is the responsibility of the District, and each entity is billed monthly for their share of the cost.

Dunn Pump Station (DPS) Operations and Maintenance Fund. The DPS Operations and Maintenance Fund accounts for the maintenance cost of the Dunn Pump Station that is shared by the District and the cities of Medford and Jacksonville. The actual maintenance is the responsibility of the District, and each entity is billed monthly for their share of the cost. In 2004 the Region agreed to one flat rate for both BCI and DPS.

Interceptor Capital Expansion Fund. The Interceptor Capital Expansion Fund accounts for the capital costs of the Bear Creek Interceptor and Dunn Pump Station that are shared by the District and the City of Medford. The actual capital expansion projects are the responsibility of the District, and each entity is billed monthly for their share of the cost.

White City Storm Drain Fund. The White City Storm Drain Fund was established to upgrade and maintain certain portions of the industrial side of White City storm drain area not maintained by the County.

Storm Water Quality Fund. In order to protect and improve the quality of water in wells, creeks and rivers, the federal government has established a more stringent storm water program. This fund was created to account for the receipt of a new monthly fee and the expenditures regarding storm water quality.

Shady Cove Treatment. The Shady Cove Treatment Fund was initially established as the Shady Cove Operations and Maintenance Fund established in 2011 to manage both the collection system and the treatment plant. Beginning in FY2018, this fund will only track expenses related to the wastewater treatment plant, with collection system expense being tracked in the newly created Fund 52. The current agreement with Shady Cove expires in 2026 and includes a provision to call for an annexation vote.

Shady Cove Collection System. The Shady Cove Collection System Fund was new for FY2018 and is intended to allow the expenses related to operating the sewer collection system for the City of Shady Cove.

Shady Cove Capital. The Shady Cove Capital Fund is a dedicated fund established in 2011 to pay for capital improvements within the Shady Cove collection system and treatment plant for 5 years. Under this agreement, RVSS is charged with the planning and implementation of a capital improvement plan designed to ensure adequate system capacity and regulatory compliance. In FY 2017, this agreement was renewed for an additional 10 years.

Gold Hill Treatment. The Gold Hill Treatment Fund was newly established in FY2018 to track expenses related to the wastewater treatment plant for the City of Gold Hill. The current agreement with Gold Hill expires in 2022.

Gold Hill Collection System. The Gold Hill Collection System Fund was newly established for FY2018 and is intended to allow the expenses related to operating the sewer collection system for the City of Gold Hill. The current agreement with Gold Hill expires in 2022.

The District annually prepares a budget, by fund, to control its fiscal operations. A proposed detailed budget is prepared by District management and is submitted to the Budget Committee. The Budget Committee consists of the Board of Directors and five appointed members. The Committee may revise or approve the proposed budget. After the Budget Committee approves the proposed budget, it is submitted to the Board of Directors, and a public hearing is held. The Board adopts the budget and makes appropriations by major functional classifications for all funds, allowing the District to expend funds for the year. Appropriations adopted by the Board lapse at the end of the fiscal year.

The District may adopt supplemental budgets as a result of unexpected additional resources. Adoption of supplemental budget requires hearings before the public, publication in newspapers, approval by the Board of Directors, and adoption of appropriations. Original and supplemental budgets may be modified by the Board of Directors through the use of appropriation transfers. While the General Fund is organized by departments, the budget for this and all funds are appropriated by categories of personal services, materials and supplies, capital outlay, debt and transfers to other funds. These amounts can be seen in the supplementary schedules of expenditures – original and final budget compared to actual.

Independent Audit

The provisions of Oregon Revised Statutes Section 297.405 through 297.555, known as "Municipal Audit Law", require that an independent audit of the District's records be made within six months following the close of the fiscal year. The auditors, Isler CPA, LLC have completed their audit and have included their opinion in the financial section of this report.

Fiduciary Operations

Both a pension plan and a deferred compensation program are provided to all District employees. In FY 2018 the District contributed 8.6% of the base salary of eligible employees to the International City Manager's Association (ICMA) retirement system. This plan is a defined contribution plan in which the participating employees are required to contribute 6% of their base salary. Employees are vested immediately.

The deferred compensation program falls within the guidelines of the Internal Revenue Code section 457. The plan permits the employees to defer a portion of their salary until future years as a retirement program and are taxed only upon receipt. The total amount of deferred compensation and earnings thereon at June 30, 2018 is \$1,210,047.70.

The District also has a Retirement Health Savings plan with ICMA. The District contributes 3% of eligible salary for management employees and allows contributions from both management and union employees.

Long Term Financial Planning

Rogue Valley Sewer Services is focused on ways to conserve the existing assets while reducing operating expenses. Efforts to preserve the existing assets include a tight maintenance program. The O&M department cleans 1/3 of our service lines annually and 1/5, or 75 miles, of those lines are tv'd to identify any faulty lines to avoid increased costs resulting from deferred maintenance or major repairs.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive Annual Financial Reports for the fiscal years ended June 30, 1990 through 2017. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. The reports satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

We wish to express our appreciation to the staff of our Administrative/Finance Department for their efforts and contributions in the preparation of the comprehensive annual report. We also thank and extend our appreciation to the members of our Board of Directors for their support and dedication to the financial operation of the District.

Please see the Management Discussion and Analysis on pages 3-6, for a further analysis of the District's operations.

Respectfully submitted,



Carl Tappert, Manager

Brenda Baldovino, Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Rogue Valley Sewer Services
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

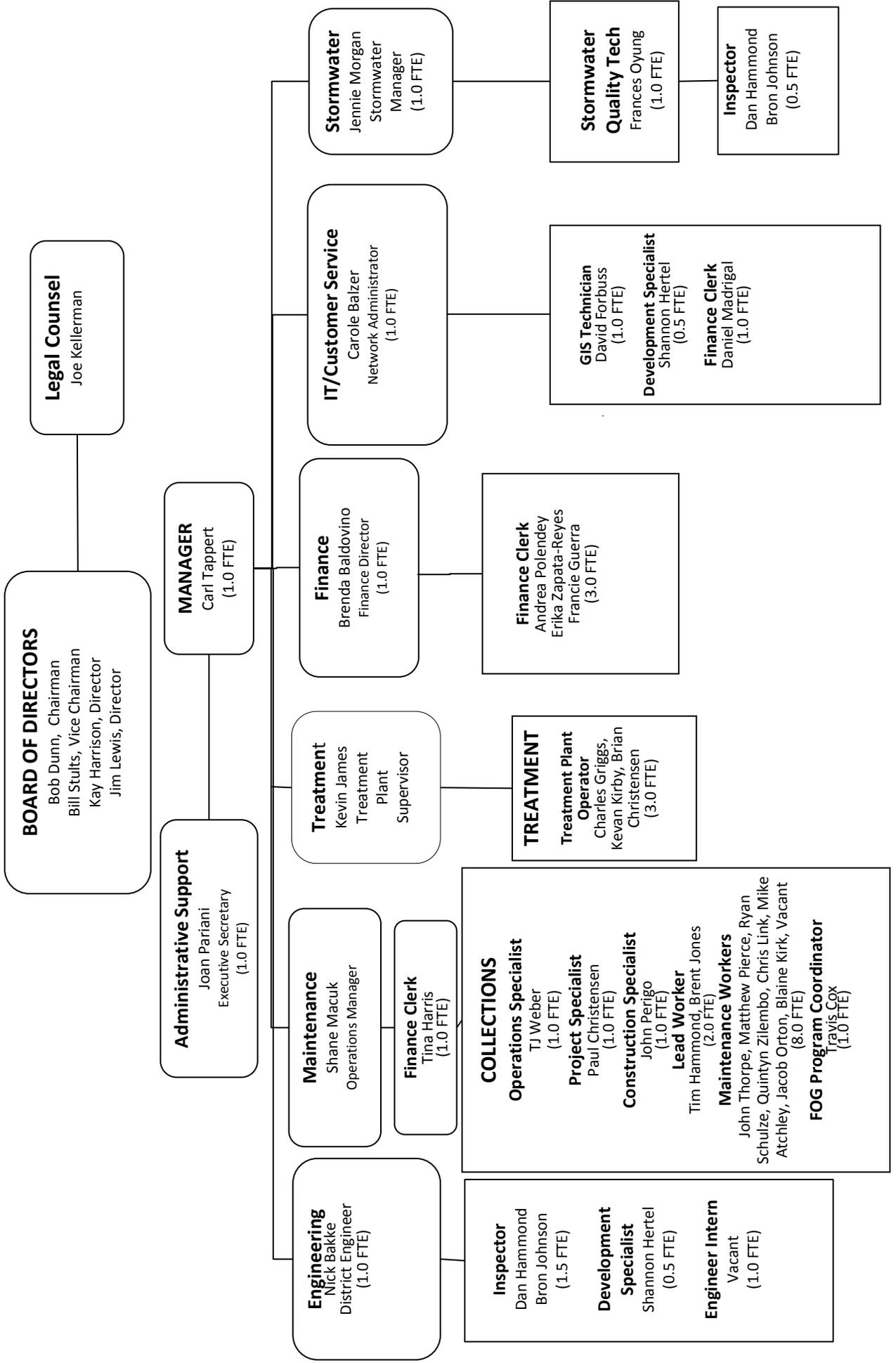
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

ROGUE VALLEY SEWER SERVICES FISCAL YEAR 2018

Departmental Organization



ROGUE VALLEY SEWER SERVICES

For the Year Ended June 30, 2018

Board of Directors and Registered Agent

As of June 30, 2018

Board of Directors	<u>Term Expires</u>
Robert Dunn, Chairman 138 West Vilas Road, Central Point, OR 97502	June 2018
Bill Stults, Vice Chairman 138 West Vilas Road, Central Point, OR 97502	June 2018
Wayne Brown, Director 138 West Vilas Road, Central Point, OR 97502	June 2019
Kay Harrison, Director 138 West Vilas Road, Central Point, OR 97502	June 2018
Jim Lewis, Director 138 West Vilas Road, Central Point, OR 97502	June 2019
Adminstrative Staff	
Carl Tappert, Manager and Registered Agent	
Legal Counsel Hornecker, Cowling, Hassen & Haysell, LLP	



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rogue Valley Sewer Services
Jackson County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the Rogue Valley Sewer Services ("RVS"), as of and for the years ended June 30, 2018, and 2017, and the related notes to the financial statements, which collectively comprise RVS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RVS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RVS as of June 30, 2018 and 2017, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis ("MD&A"), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The financial statements of RVS for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on November 30, 2017.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RVS' basic financial statements. The combining schedules and the budgeted and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and the budgeted and actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 11, 2018 on our consideration of RVS' compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



By Paul Nielson, a member of the firm
for Isler CPA
December 11, 2018

Rogue Valley Sewer Services Management's Discussion and Analysis

As management of the Rogue Valley Sewer Services (RVS), we offer readers of RVS' financial statements this narrative overview and analysis of the financial activities of RVS for the fiscal year ended June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

All amounts in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of RVS exceeded its liabilities at the close of June 30, 2018 by \$92,077, a increase of \$2,929. Of this amount, \$7,366 (unrestricted net position) may be used to meet ongoing obligations and \$82,975 is invested in capital assets net of accumulated depreciation and related debt.
- Total operating revenues were \$11,416, an increase of \$1,062 from the prior year. Operating expenses totaled \$10,303, an increase of \$1,165 from the prior year. The difference between operating revenues and operating expenses resulted in operating income of \$1,608.
- RVS has \$85,916 in capital assets, net of accumulated depreciation. This is a increase of \$2,305 from the prior year. RVS also recognized \$1,838 in depreciation expense in the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to RVS's Basic Financial Statements. The Basic Financial Statements include the notes to the financial statements. In addition to these statements, this report also contains supplementary information.

RVS is a self-supporting entity and follows enterprise fund reporting, accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. RVS's annual report consists of the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Positions and the Statements of Cash Flows. The Balance Sheets provide information about the financial position of RVS, including all of its capital assets and long-term liabilities, on the full accrual basis, similar to that used by corporations. The Statements of Revenues, Expenses and Changes in Net Positions present information showing how RVS's net position has changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that do not affect the cash flow until future fiscal periods. The Statements of Cash Flows present information showing how the District's cash balance changed as a result of current year operations. This statement is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method).

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

Total assets, liabilities, deferred inflows/outflows of resources, and net position were as follows:

	2018	2017	2016	Change 2017 - 2018	
				Amount	Percent %
Assets:					
Current assets	\$ 10,459	\$ 9,905	\$ 7,294	\$ 554	5.6
Noncurrent receivables	273	312	692	(39)	(12.5)
Capital assets (net)	<u>85,916</u>	<u>83,611</u>	<u>82,970</u>	<u>2,305</u>	<u>2.8</u>
Total assets	<u>96,648</u>	<u>93,828</u>	<u>90,956</u>	<u>2,820</u>	<u>3.0</u>
Liabilities:					
Current liabilities	1,486	1,554	1,260	(68)	(4.4)
Long-term liabilities	<u>3,085</u>	<u>3,126</u>	<u>3,488</u>	<u>(41)</u>	<u>(1.3)</u>
Total liabilities	<u>4,571</u>	<u>4,680</u>	<u>4,748</u>	<u>(109)</u>	<u>(2.3)</u>
Net position:					
Net investment in capital assets	82,975	80,123	79,058	2,852	3.6
Restricted	1,736	1,510	1,439	226	15.0
Unrestricted	<u>7,366</u>	<u>7,515</u>	<u>5,710</u>	<u>(149)</u>	<u>(2.0)</u>
Total net position	<u>\$ 92,077</u>	<u>\$ 89,148</u>	<u>\$ 86,207</u>	<u>\$ 2,929</u>	<u>3.3</u>

Total assets increased for this fiscal year by \$2,820. Current assets increased by \$554 as a direct result of a 3.16% increase in sewer rates.

Total liabilities decreased by \$109 from last year. The decrease in long-term liabilities is related to the scheduled payment on the outstanding long-term debt. This decrease was offset by an increase in the long-term portion of compensated absences.

Additionally, the new policy allowed each employee to accrue the same amount of PTO per pay period as the prior sick/vacation combined.

Net position may serve as a useful indicator of RVS' financial position. As of June 30, 2018, assets exceeded liabilities by \$92,077, a 3.3 percent increase over the prior period. Investment in capital assets are considered unavailable for current expenditures and account for 90.1 percent of the total net position (89.9 percent of total net position at June 30, 2017). Unrestricted net position accounts for 8.0 percent of the total net position (8.4 percent of the total net position at June 30, 2017). Unrestricted net position is normally the part of net position used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Restricted net position represents assets set aside for debt service and future system development.

FINANCIAL ANALYSIS, continued

The following schedule presents a summary of revenues, expenses and changes in net position for the District and the amount and percentage change from 2017 to 2018.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change 2017 - 2018</u>	
				<u>Amount</u>	<u>Percent %</u>
Program revenues:					
Charges for services	\$ 11,417	\$ 10,530	\$ 9,498	\$ 887	8.4
Capital grants and contributions	<u>1,730</u>	<u>1,555</u>	<u>1,255</u>	<u>175</u>	11.3
General revenues:					
Gain (loss) on sale of assets	-	(15)	47	15	(100.0)
Interest income	<u>155</u>	<u>91</u>	<u>38</u>	<u>64</u>	70.3
Total revenues	<u>13,302</u>	<u>12,161</u>	<u>10,838</u>	<u>1,141</u>	9.4
Expenses:					
Sewer operations	10,303	9,138	8,538	1,165	12.7
Interest expense	<u>70</u>	<u>82</u>	<u>96</u>	<u>(12)</u>	(14.6)
Total expenses	<u>10,373</u>	<u>9,220</u>	<u>8,634</u>	<u>1,153</u>	12.5
Change in net position	<u>2,929</u>	<u>2,941</u>	<u>2,204</u>	<u>(12)</u>	(0.4)
Net position-beginning	<u>89,148</u>	<u>86,207</u>	<u>84,003</u>	<u>2,941</u>	3.4
Net position-ending	<u>\$ 92,077</u>	<u>\$ 89,148</u>	<u>\$ 86,207</u>	<u>\$ 2,929</u>	3.3

Total operating revenues were comparable to the prior period. Investment earnings increased due to changes in interest rates and an increase in amounts held as cash and cash equivalents. Operating expenses increased by 12.7 percent as compared to the prior period. Labor and fringe benefits increased by 29.7 percent due to the changes in the accrual of compensated absences as well as RVS picking up 100% of the employees Health insurance premiums, compared to only 92% prior. When the union decertified, RVS had to go find a different insurance policy. To find comparable health insurance to what the employees had with the union, there was a significant increase in cost in premiums. Nonoperating revenues increased by 103.9 percent over the prior year, primarily due to the increase in interest income.

CAPITAL ASSETS

At June 30, 2018, RVS had \$121,052 invested in a broad range of capital assets, including land, utility plant, buildings, furniture and equipment, and construction in progress.

RVS's Capital Assets (net of depreciation)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 428	\$ 428	\$ 428
Site Improvements	211	211	211
Intangible Asset-System Buy-In-Costs	1,450	1,450	1,450
Construction in progress	3,519	1,413	239
Utility plant	108,640	107,350	106,248
Buildings	1,675	1,665	1,665
Furniture, Fixture and Equipment	5,129	4,423	4,256
Total	<u>121,052</u>	<u>116,940</u>	<u>114,497</u>
Less accumulated depreciation	<u>(35,136)</u>	<u>(33,329)</u>	<u>(31,527)</u>
Total	<u>\$ 85,916</u>	<u>\$ 83,611</u>	<u>\$ 82,970</u>

Major capital events placed into service during FY 2018 included the following:

- N. Central Valley Road \$439,047
- Table Rock Sewer Extension \$414,529
- Wilson Way Sewer Extension \$343,941

Additional information on RVS's capital assets can be found in the notes to the financial statements in the note titled capital assets.

DEBT ADMINISTRATION

RVS had the following outstanding debt

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Notes payable City of Eagle Point	\$ -	\$ 42	\$ 151
Series 2013 bond obligation	<u>3,060</u>	<u>3,350</u>	<u>3,635</u>
Total	<u>\$ 3,060</u>	<u>\$ 3,392</u>	<u>\$ 3,786</u>

Additional information on RVS' debt can be found in the notes to the financial statements in the note titled Long-term debt

ECONOMIC FACTORS

Our system does not have any near-term capacity deficiencies. The vast majority of our capital improvement plan goes toward rehabilitating old concrete and asbestos-cement pipe. Many of these pipes are over 60 years old and are at the end of their useful life. Replacement of these pipes in a timely manner reduces long-term operating costs and helps prevent system failure.

REQUEST FOR INFORMATION

Our financial report is designed to provide our ratepayers and creditors with an overview of RVS's finances. If you have any questions about this report or need any clarification of information please contact the Finance Department at the Rogue Valley Sewer Services. Our address is: 138 W. Vilas Road (PO Box 3130), Central Point, Oregon, 97502.

BASIC FINANCIAL STATEMENTS



ROGUE VALLEY SEWER SERVICES

Balance Sheets

June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,028,904	\$ 8,047,270
Accounts receivable	1,255,813	1,143,121
Current portion of assessments receivable	12,171	79,802
Current portion of note receivable	-	512,806
Inventory	93,099	87,035
Prepaid expenses	69,457	35,230
Total current assets	10,459,444	9,905,264
Noncurrent assets:		
Assessments receivable	272,851	311,583
Capital assets - net	85,915,783	83,610,896
Total noncurrent assets	86,188,634	83,922,479
Total assets	\$ 96,648,078	\$ 93,827,743
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 766,396	\$ 748,628
Accrued payroll and related liabilities	106,873	99,489
Unearned revenue	127,871	179,701
Accrued interest payable	19,995	28,415
Current portion of compensated absences	140,000	135,150
Current portion of long-term debt	324,900	362,083
Total current liabilities	1,486,035	1,553,466
Noncurrent liabilities:		
Long-term debt, net of current portion	2,800,981	3,125,881
Compensated absences net of current portion	284,151	-
Total noncurrent liabilities	3,085,132	3,125,881
Total liabilities	4,571,167	4,679,347
NET POSITION:		
Net investment in capital assets	82,974,802	80,122,932
Restricted for system development	1,736,001	1,509,961
Unrestricted	7,366,108	7,515,503
Total net position	92,076,911	89,148,396
Total liabilities and net position	\$ 96,648,078	\$ 93,827,743

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2018 and 2017

	2018	2017
Operating revenues		
Sewer service charges	\$ 9,782,350	\$ 8,767,177
Reimbursements	479,357	406,703
Maintenance and other fees	1,124,473	924,682
Other revenue	30,303	405,000
Special assessment	-	26,735
Total operating revenues	11,416,483	10,530,297
Operating expenses:		
Labor and fringe benefits	3,768,556	2,905,850
Treatment charges	3,226,022	3,001,448
Administrative	726,146	728,038
Other operating expenses	744,691	672,687
Depreciation	1,837,885	1,829,777
Total operating expenses	10,303,300	9,137,800
Operating income (loss)	1,113,183	1,392,497
Nonoperating revenues and expenses		
Gain (loss) on disposal of assets	-	(14,664)
Interest income - assessments	10,349	19,592
Interest income - investments	144,520	71,172
Interest expense	(69,569)	(82,003)
Total nonoperating revenue and expenses	85,300	(5,903)
Income (loss) before contributions	1,198,483	1,386,594
System development charges	494,263	639,308
Capital assets contributed	1,235,769	915,549
Total capital contributions	1,730,032	1,554,857
Change in net position	2,928,515	2,941,451
Net position - beginning of year.	89,148,396	86,206,945
Net position - end of year	\$ 92,076,911	\$ 89,148,396

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Statements of Cash Flows
Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from customers and users	\$ 11,251,961	\$ 10,440,178
Payments to suppliers	(4,719,382)	(4,049,596)
Payments to employees	(3,472,171)	(2,901,919)
Net cash provided by operating activities	3,060,408	3,488,663
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,907,003)	(1,573,599)
System development charges	494,263	639,308
Principal paid on long-term debt	(362,083)	(423,373)
Interest paid on notes payable	(77,989)	(87,196)
Proceeds from sale of capital assets	-	3,300
Net cash used by capital and related financing activities	(2,852,812)	(1,441,560)
Cash flows from investing activities:		
Principal received on notes receivable	\$ 512,806	18,216
Principal received on special assessments	106,363	38,205
Interest received on special assessments	10,349	12,114
Interest received on investments	144,520	71,172
Net cash provided by investing activities	774,038	139,707
Net increase (decrease) in cash and cash equivalents	981,634	2,186,810
Cash and cash equivalents, July 1	8,047,270	5,860,460
Cash and cash equivalents, June 30	\$ 9,028,904	\$ 8,047,270
Supplemental schedule of noncash capital and related financing activities:		
Contribution of capital from developers	\$ 1,235,769	\$ 915,549
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,113,183	\$ 1,392,497
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,837,885	1,829,777
Changes in operating assets and liabilities:		
Accounts receivable	(112,692)	(103,294)
Unearned income	(51,830)	13,175
Inventory	(6,064)	9,886
Prepaid expenses	(34,227)	697
Accounts payable	17,768	341,994
Payroll and related accruals	7,384	3,931
Compensated absences	289,001	-
Net cash provided by operating activities	\$ 3,060,408	\$ 3,488,663

See accompanying notes to financial statements.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

1. Summary of significant accounting policies

A. Reporting entity

The District is a Municipal Corporation formed in September 21, 1966, under the provisions of Oregon Revised Statutes, Chapter 450, with a favorable public election held on August 30, 1966, to own and operate an interceptor sewer system. The system consists of the Upper Bear Creek Interceptor, Lower Bear Creek Interceptor, Dunn Pump Station and Pressure Main. The system includes a 20-million gallon per day raw sewage pumping station and a 31-acre 2-cell treatment lagoon. The District also owns and operates many trunk projects covering approximately 190 square miles within the Rogue Valley, and provides sewer services to the cities of Central Point, Eagle Point, Jacksonville, Talent, and Phoenix, Oregon and portions of the City of Medford, Oregon. The District has no potential or actual component units.

Administrative functions of the District are directed by the Manager of the District who reports to the Board of Directors.

B. Basis of accounting

The District's financial statements are prepared on the accrual basis of accounting using the "economic resources" measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the statement of net position with the equity section representing "total net position."

Operating Revenues and Expenses

Proprietary funds (enterprise) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are sewer service charges. Sewer service revenue is recorded when the service is rendered. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased and all amounts in pooled accounts to be cash equivalents.

Assessments Revenue and Receivables

The District offers financing for Local Improvement District (LID) assessments to customers who are unable to pay assessment fees up front. Assessment revenues and the associated receivables are recorded at the time the associated project is completed.

Inventories

Inventories, which consist of operating materials and supplies, are reported at cost using the weighted average cost pricing method, and are charged against operations when used.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

1. Summary of significant accounting policies (continued)

B. Basis of accounting (continued)

Capital Assets

Purchased capital assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Major additions, improvements and replacements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are stated at estimated fair value at the date of donation. Gains or losses realized from the disposition of capital assets are reflected in the statement of operations. The District capitalizes all individual items over \$3,000, except for rehabilitation projects which use a \$5,000 capitalization threshold.

Property, plant and equipment are depreciated using the straight-line method over their estimated lives as follows:

Utility plant	20 - 75 years
Buildings	25 years
Furniture, fixtures and equipment	5- 12 years

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, and ending net position during the reporting period. Actual results could differ from those estimates.

Long-Term Debt

In the financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Debt issue costs are expensed as incurred.

Compensated Absences

Vested or accumulated PTO leave is recorded as an expense and liability as the benefits accrue to employees. A liability is recorded for PTO benefits. Upon termination, employees are paid up to 120 hours of accrued PTO.

Risk Management

The District is exposed to various risks of loss during its ordinary course of business. To mitigate the risk of loss, various commercial insurance policies have been purchased and are reviewed for adequacy by management annually. There have been no significant changes in coverage nor have any settlements exceeded insurance coverage in the past three years. The District has several programs to protect against the risk of loss of life or assets. The insurance program includes the "normal" coverage subject to nominal deductibles for commercial, auto, property, liability, etc., as well as treasurer's bonding, director and officer liability, expense for effluent spills from collection system infrastructure and pump stations and computer systems. The District is self-insured for purposes of unemployment compensation claims.

Reclassifications

Certain amounts reported for 2017 have been reclassified in the accompanying financial statements to conform to the presentation for 2018. Such reclassifications had no effect on the change in net position (net income) for the year ended June 30, 2017.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

1. Summary of significant accounting policies (continued)

B. Basis of accounting (continued)

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- A. Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- B. Restricted net position – net position is considered restricted if asset use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the District's bonds. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.
- C. Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for a purpose for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The District's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expense.

2. Stewardship, compliance, and accountability

Budget information

For financial reporting and operating purposes, the District considers its activities as those of a unitary enterprise operation (proprietary fund). Therefore, these activities are reported in a single enterprise fund. However, for legal requirements as set forth in the Oregon Local Budget Law, the District prepares and adopts a budget on the modified accrual basis for its individual fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. For all funds, the District has established the level of control by expenditure category. These categories include: personal services, materials and services, capital outlay, contingency, debt service and transfers to other funds.

Unexpected additional resources and related expenditures may be added to the budget through the use of a supplemental budget and appropriate resolution. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Transfers require the approval of the Board of Directors. All annual appropriations lapse at fiscal year end. The District does not use encumbrance accounting.

Excess of Expenditures Over Appropriations

Fund	Materials and services	Capital Outlay	Transfers out
White City Storm Drains Fund	\$ 9,189	\$ -	\$ -
Dunn Pump Station Operations and Maintenance Fund	-	-	14,714
Stormwater Quality Fund	-	-	80,040
Shady Cove Collection System Fund	-	1,784	-
Gold Hill Collection System Fund	-	-	9,413

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

3. Cash and cash equivalents

Cash and cash equivalents at June 30 are comprised of:

	2018	2017
Cash on hand	\$ 650	\$ 650
Deposits with Financial Institutions	161,406	291,829
Local Government Investment Pool	8,866,848	7,754,791
Total cash and cash equivalents	<u>\$ 9,028,904</u>	<u>\$ 8,047,270</u>

State statutes govern the District's cash management policies, because the District does not have an official investment policy. State statutes authorize the District to invest in the Oregon State Treasurer's Local Government Investment Pool, time certificates of deposit, U.S. Government Treasury Obligations, and obligations of the United States and its agencies and instrumentalities.

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The OSTF financial statements are available at <http://www.ost.state.or.us/>.

Credit risk: The LGIP is not rated by any national rating service.

Interest rate risk: The weighted-average maturity of LGIP is less than one year.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Deposits with financial institutions include bank demand deposits. Cash, except for cash held at the District, is covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool called the Public Funds Collateralization Program (PFCP) administered by the Office of the State Treasurer for the State of Oregon. As of June 30, 2018 and 2017, none of the District's bank balances were exposed to credit risk.

4. Assessments receivable

Assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. Because the assessments are liens against the benefited property, an allowance for uncollectible amounts is deemed unnecessary. Assessments are payable over a period of 5 to 20 years and bear a rate of interest between 4.0% and 5.5%.

The District has a note receivable from the sale of the old office building in the amount of \$380,768 as of June 30, 2017. The interest rate for the note receivable as of June 30, 2017 was 1.60%. The note matured on February 15, 2018.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

5. Capital assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>2017</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>2018</u>
Capital assets not being depreciated:				
Land	\$ 427,982	\$ -	\$ -	\$ 427,982
Site Improvements	210,615	-	-	210,615
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>1,412,714</u>	<u>3,430,475</u>	<u>(1,324,544)</u>	<u>3,518,645</u>
Total capital assets not being depreciated	<u>3,501,792</u>	<u>3,430,475</u>	<u>(1,324,544)</u>	<u>5,607,723</u>
Capital assets being depreciated:				
Utility Plant	107,350,153	-	1,289,920	108,640,073
Buildings	1,665,184	9,284	-	1,674,468
Furniture, Fixture and Equipment	<u>4,422,781</u>	<u>737,637</u>	<u>(31,173)</u>	<u>5,129,245</u>
Total capital assets being depreciated	<u>113,438,118</u>	<u>746,921</u>	<u>1,258,747</u>	<u>115,443,786</u>
Less accumulated depreciation for:				
Utility Plant	(29,020,769)	(1,448,236)	-	(30,469,005)
Buildings	(899,425)	(66,607)	-	(966,032)
Furniture, Fixture and Equipment	<u>(3,408,820)</u>	<u>(323,042)</u>	<u>31,173</u>	<u>(3,700,689)</u>
Total accumulated depreciation	<u>(33,329,014)</u>	<u>(1,837,885)</u>	<u>31,173</u>	<u>(35,135,726)</u>
Total capital assets, being depreciated, net	<u>80,109,104</u>	<u>(1,090,964)</u>	<u>1,289,920</u>	<u>80,308,060</u>
Total capital assets, net	<u>\$ 83,610,896</u>	<u>\$ 2,339,511</u>	<u>\$ (34,624)</u>	<u>\$ 85,915,783</u>

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

5. Capital assets (continued)

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>2017</u>
Capital assets not being depreciated:				
Land	\$ 427,982	\$ -	\$ -	\$ 427,982
Site Improvements	210,615	-	-	210,615
Intangible Asset-System Buy-In-Costs	1,450,481	-	-	1,450,481
Construction in progress	<u>238,952</u>	<u>2,294,046</u>	<u>(1,120,284)</u>	<u>1,412,714</u>
Total capital assets not being depreciated	<u>2,328,030</u>	<u>2,294,046</u>	<u>(1,120,284)</u>	<u>3,501,792</u>
Capital assets being depreciated:				
Utility Plant	106,247,833	-	1,102,320	107,350,153
Buildings	1,665,184	-	-	1,665,184
Furniture, Fixture and Equipment	<u>4,255,494</u>	<u>195,102</u>	<u>(27,815)</u>	<u>4,422,781</u>
Total capital assets being depreciated	<u>112,168,511</u>	<u>195,102</u>	<u>1,074,505</u>	<u>113,438,118</u>
Less accumulated depreciation for:				
Utility Plant	(27,588,876)	(1,431,893)	-	(29,020,769)
Buildings	(832,818)	(66,607)	-	(899,425)
Furniture, Fixture and Equipment	<u>(3,105,358)</u>	<u>(331,277)</u>	<u>27,815</u>	<u>(3,408,820)</u>
Total accumulated depreciation	<u>(31,527,052)</u>	<u>(1,829,777)</u>	<u>27,815</u>	<u>(33,329,014)</u>
Total capital assets, being depreciated, net	<u>80,641,459</u>	<u>(1,634,675)</u>	<u>1,102,320</u>	<u>80,109,104</u>
Total capital assets, net	<u>\$ 82,969,489</u>	<u>\$ 659,371</u>	<u>\$ (17,964)</u>	<u>\$ 83,610,896</u>

6. Long-term debt

Notes Payable to the City of Eagle Point

In 1998, the District entered into an intergovernmental agreement with the City of Eagle Point (the City) for the purpose of furthering economy and efficiency of local government. As a result, the City's sewer system assets were transferred to the District and the City financed additional costs necessary to connect the existing sewer system to the Districts system. In consideration for the assets, among other provisions, the District agreed to pay the debt service costs associated to the following City Obligations:

- City of Eagle Point Oregon Department of Environmental Quality Loan #R30021 that was consummated by the City in 1995 for sewer transport system improvements. The loan was fully paid off in September of 2016. The reserve of \$132,038 was refunded to the District on August 10, 2017.
- City of Eagle Point Oregon Economic Development Department Loan #G96006 that was consummated by the City in 1997 for improvements in the sewer system. The loan matured in December of 2017, and carried an interest rate of 5.01%.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

6. Long-term debt (continued)

Bonds Payable

On April 23, 2013, the District (Authority) entered into an Escrow Agreement and Financing Agreement with U.S. Bank National Association (Escrow Agent). The District entered into the Escrow Agreement to provide for the issuance of \$4,455,000 Full Faith and Credit Obligations (the Series 2013 Obligations) which will be paid from financing payments the District makes under the Financing Agreement. Under the Financing Agreement, the Series 2013 Obligations are secured by and payable from the Districts general non-restricted revenues and other funds that may be available. The obligation to pay the financing payments is a full faith credit obligation of the District and is not subject to appropriation. However, the obligation to pay the financing payments is not a general obligation.

The Series 2013 Obligations were issued at a premium of \$237,672. The premium represents interest paid in advance to the District by Obligation holders who then receive a return of this premium in the form of larger periodic interest payments. The bond premium will be amortized using the effective interest method over the life of the obligations.

The Series 2013 Obligations were issued to currently refund the Oregon Department of Environmental Quality State Loan R78495, R14001, R14002, and state Loan R14003. In addition, the Series 2013 Obligations were issued to pay the cost of issuance.

The Series 2013 Obligations stated interest rate ranges between 2% and 4% based upon maturity date of each obligation. Interest is payable semiannually on April 1 and October 1 each year. Principal payments are due annually on October 1 of each year.

The obligations that mature after October 1, 2023 are not subject to optional redemption. The obligations that mature after October 1, 2023 are referred to as Term Obligations. The principal components of the Term Obligations are subject to prepayment prior to their respective payment dates in whole or in part on any date on or after October 1, 2022, upon the exercise by the District of its option to prepay the principal components of the financing payments.

Future maturities of the Series 2013 Obligations payable at June 30, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 295,000	\$ 99,150	\$ 394,150
2020	305,000	89,363	394,363
2021	310,000	77,063	387,063
2022	265,000	65,562	330,562
2023	250,000	55,262	305,262
2024-28	1,250,000	148,642	1,398,642
2029-33	385,000	9,375	394,375
Total	\$ 3,060,000	\$ 544,417	\$ 3,604,417

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

6. Long-term debt (continued)

A summary of the changes in long-term debt for the year ended June 30, 2018 follows:

	Beginning Balance	Reductions	Principal Borrowed	Ending Balance	Due Within One Year
Note Payable City of Eagle Point #G96006	\$ 42,183	\$ (42,183)	\$ -	\$ -	\$ -
Series 2013 Obligation	<u>3,350,000</u>	<u>(290,000)</u>	<u>-</u>	<u>3,060,000</u>	<u>295,000</u>
	3,392,183	(332,183)	-	3,060,000	295,000
Unamortized Premium	<u>95,781</u>	<u>(29,900)</u>	<u>-</u>	<u>65,881</u>	<u>29,900</u>
Total long-term debt	<u>\$ 3,487,964</u>	<u>\$ (362,083)</u>	<u>\$ -</u>	<u>\$ 3,125,881</u>	<u>\$ 324,900</u>

A summary of the changes in long-term debt for the year ended June 30, 2017 follows:

	Beginning Balance	Reductions	Principal Borrowed	Ending Balance	Due Within One Year
Note Payable City of Eagle Point #R30021	\$ 66,637	\$ (66,637)	\$ -	\$ -	\$ -
Note Payable City of Eagle Point #G96006	84,019	(41,836)	-	42,183	42,183
Series 2013 Obligation	<u>3,635,000</u>	<u>(285,000)</u>	<u>-</u>	<u>3,350,000</u>	<u>290,000</u>
	3,785,656	(393,473)	-	3,392,183	332,183
Unamortized Premium	<u>125,681</u>	<u>(29,900)</u>	<u>-</u>	<u>95,781</u>	<u>29,900</u>
Total long-term debt	<u>\$ 3,911,337</u>	<u>\$ (423,373)</u>	<u>\$ -</u>	<u>\$ 3,487,964</u>	<u>\$ 362,083</u>

7. Compensated Absences

Compensated absences balances were \$424,151 and \$92,077 for the years ended June 30, 2018 and 2017 respectively. The change in accrued PTO for the year ended June 30, 2018 consists of decreases of \$195,600 and increases of \$320,628. Compensated absences increased in the current year after a policy change that converted all earned sick and vacation time to paid time-off.

ROGUE VALLEY SEWER SERVICES

Notes to Financial Statements

June 30, 2018 and 2017

8. Retirement Plan

The District contributes to the ICMA Retirement Corporation 401A Retirement Plan, a defined contribution pension plan administered by the District for substantially all employees who have met the requirement of six months of service. Through resolution, the District contributes 8.95% of eligible employee compensation, and employees contribute a mandatory 6% of compensation to a retirement plan created in accordance with the Internal Revenue Code (IRC) Section 401(a). Employees are eligible to receive benefits under this plan upon termination from employment or retirement and reaching age 55. The board of directors established the retirement plan by a board resolution, and can amend the plan through a board resolution.

The manager receives an additional contribution from the District to an IRC Section 457 deferred compensation account of approximately \$1,700 per month.

Contributions to the 401A plan made by the District for fiscal year ended June 30, 2018 were \$187,504 on eligible compensation of \$2,093,880, which was equal to the District's contribution rate of 8.95%. The District's total payroll for the year, including eligible and ineligible compensation, totaled \$2,304,851. Compensation data for fiscal year ended June 30, 2017 showed contributions of \$173,067 on eligible compensation of \$1,932,336, which was equal to the District's contribution rate of 8.95%. The total compensation of the District for the fiscal year ended June 30, 2017 was \$2,115,590.

9. Contingencies

From time to time, the District is subject to legal proceedings and claims which arise in the ordinary course of its operations. In the opinion of management, the total amount of liability, if any, which may arise from such legal proceedings or claims beyond which is recovered by insurance would not materially affect the District's financial condition.

10. Subsequent Event

In June of 2018 the Shady Cove City Council approved Resolution 18-11 which referred the question of annexation into RVSS to the voters of Shady Cove. The RVSS Board of Directors approved the referral and adopted Resolution 18-21. A franchise agreement was approved in October which specifies how money will be transferred between the two entities following annexation. On November 6, 2018 voters in Shady Cove approved the proposal to annex into RVSS. The transition is expected to be complete by July 1, 2019.

SUPPLEMENTARY INFORMATION



DESCRIPTION OF BUDGETARY FUNDS

June 30, 2018

For financial reporting and operating purposes, management considers the activities of the District to be those of unitary enterprise operation. Therefore, these activities are reported in a single fund in the general purpose financial statements. However, for budgetary and legal purposes these activities are accounted for in the funds described below on a modified accrual basis of accounting.

GENERAL FUND – The General fund accounts for the District’s normal recurring sewage operations. The primary source of revenue is sewer service fees. The General Fund is also used to account for sewer lines and other major construction activities. All system development charges and fees associated with the construction of projects are credited to this fund. It also accounts for the proceeds of any loans used to finance projects and associated debt payments.

BEAR CREEK INTERCEPTOR OPERATIONS AND MAINTENANCE FUND – The Bear Creek Interceptor and Maintenance Fund is used to account for the maintenance costs associated with Bear Creek Interceptor that is shared by the District with the cities of Medford, Jacksonville, and Phoenix. The District operates and maintains the capital facilities for the benefit of the above-mentioned entities, and each is billed monthly for their share of the cost.

DUNN PUMP STATION OPERATION AND MAINTENANCE FUND – The Dunn Pump Station Operation and Maintenance Fund is used to account for the maintenance cost of the regional pump station capital facilities. The facilities are owned jointly by the District and the City of Medford. The District operates and maintains the capital facilities for the benefit of the above mentioned entities. The costs to operate and maintain the Dunn pump station capital facilities and the related revenues are accounted for in this fund.

INTERCEPTOR CAPITAL EXPANSION FUND – The Interceptor Capital Expansion fund is used to account for the capital expansion of the regional Bear Creek interceptor and Kirtland pump station capital facilities. The facilities are owned jointly by the District and the City of Medford. The District operates and maintains the capital facilities for the benefit of the above mentioned entities. The costs to operate and maintain the interceptor capital expansion and the related revenues are accounted for in this fund.

WHITE CITY STORM DRAIN FUND - The White City Storm Drain Fund was established to upgrade and maintain certain portions of the industrial side of White City storm drain area not maintained by the County.

STORM WATER QUALITY FUND - In order to protect and improve the quality of water in wells, creeks and rivers, the federal government has established a more stringent storm water program. This fund was created to account for the receipt of a new monthly fee and the expenditures regarding storm water quality.

SHADY COVE TREATMENT FUND – The Shady Cove Treatment Fund is used to account for the expenses related to the wastewater treatment plant in Shady Cove. RVSS is under an agreement to operate both the collection system and treatment plant for the City of Shady Cove until 2026 that includes a provision to call for an annexation vote if needed.

SHADY COVE COLLECTION FUND – The Shady Cove Collection Fund is used to account for the expenses to maintain the collection system in Shady Cove. RVSS is under an agreement to operate both the collection system and treatment plant for the City of Shady Cove until 2026 that includes a provision to call for an annexation vote if needed.

DESCRIPTION OF BUDGETARY FUNDS
June 30, 2018
(continued)

SHADY COVE CAPITAL FUND – The Shady Cove Capital Fund was established in 2011 to pay for capital improvements within the Shady Cove collection system and treatment plant. RVS is under an agreement to operate both the collection system and treatment plant for the City of Shady Cove until 2026 that includes a provision to call for an annexation vote if needed.

GOLD HILL TREATMENT FUND – The Gold Hill Treatment Fund was newly established in FY218 to track expenses related to operating the wastewater treatment plant for the City of Gold Hill. RVSS currently operates this plant under an agreement for the operation and maintenance of the plant which expires in 2022.

GOLD HILL COLLECTION SYSTEM FUND – The Gold Hill Collection System Fund was newly established in FY218 to track expenses related to operating the sewer collection system for the City of Gold Hill. RVSS currently operates this plant under an agreement for the operation and maintenance of the plant which expires in 2022.



ROGUE VALLEY SEWER SERVICES

Combining Balance Sheet - All Funds Used for Budgetary Reporting
June 30, 2018

	General Fund	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Expansion	White City Storm Drain
ASSETS					
Cash and cash equivalents	\$ 2,701,441	\$ 188,539	\$ 567,426	\$ 3,506,652	\$ 704,759
Accounts receivable	759,283	11,720	-	102,546	-
Prepaid expenses	69,457	-	-	-	-
Total assets	<u>\$ 3,530,181</u>	<u>\$ 200,259</u>	<u>\$ 567,426</u>	<u>\$ 3,609,198</u>	<u>\$ 704,759</u>
LIABILITIES					
Accounts payable	\$ 727,163	\$ 1,517	\$ 5,925	\$ 1,171	\$ 39
Payroll and related accruals	106,873	-	-	-	-
Unearned revenue	127,871	-	-	-	-
Total liabilities	961,907	1,517	5,925	1,171	39
FUND BALANCES					
Restricted for:					
System development	-	-	-	1,736,001	-
Unappropriated	2,568,274	198,742	561,501	1,872,026	704,720
Total fund balances	<u>2,568,274</u>	<u>198,742</u>	<u>561,501</u>	<u>3,608,027</u>	<u>704,720</u>
Total liabilities and fund balances	<u>\$ 3,530,181</u>	<u>\$ 200,259</u>	<u>\$ 567,426</u>	<u>\$ 3,609,198</u>	<u>\$ 704,759</u>

<u>Storm Water Quality</u>	<u>Shady Cove Treatment</u>	<u>Shady Cove Collection System</u>	<u>Shady Cove Capital</u>	<u>Gold Hill Treatment</u>	<u>Gold Hill Collection</u>	<u>Total</u>
\$ 1,158,278	\$ 67,301	\$ 9,440	\$ 21,203	\$ 88,427	\$ 15,438	\$ 9,028,904
-	-	-	-	-	-	873,549
-	-	-	-	-	-	69,457
<u>\$ 1,158,278</u>	<u>\$ 67,301</u>	<u>\$ 9,440</u>	<u>\$ 21,203</u>	<u>\$ 88,427</u>	<u>\$ 15,438</u>	<u>\$ 9,971,910</u>
\$ 19,183	\$ 6,337	\$ 1,314	\$ -	\$ 3,747	\$ -	\$ 766,396
-	-	-	-	-	-	106,873
-	-	-	-	-	-	127,871
19,183	6,337	1,314	-	3,747	-	1,001,140
-	-	-	-	-	-	1,736,001
<u>1,139,095</u>	<u>60,964</u>	<u>8,126</u>	<u>21,203</u>	<u>84,680</u>	<u>15,438</u>	<u>7,234,769</u>
<u>1,139,095</u>	<u>60,964</u>	<u>8,126</u>	<u>21,203</u>	<u>84,680</u>	<u>15,438</u>	<u>8,970,770</u>
<u>\$ 1,158,278</u>	<u>\$ 67,301</u>	<u>\$ 9,440</u>	<u>\$ 21,203</u>	<u>\$ 88,427</u>	<u>\$ 15,438</u>	<u>\$ 9,971,910</u>

Reconciliation to GAAP basis balance sheet:

Ending fund balance - budgetary basis	\$ 8,970,770
Accounts receivable for full accrual	382,264
Assessment receivable	285,022
Inventory	93,099
Capital assets, net	85,915,783
Long-term debt	(3,125,881)
Accrued interest	(19,995)
Compensated absences	<u>(424,151)</u>
Ending net position	<u>\$ 92,076,911</u>

ROGUE VALLEY SEWER SERVICES

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Funds Used for Budgetary Reporting
For the Year Ended June 30, 2018

	General	Bear Creek Interceptor Operation & Maintenance	Dunn Pump Station Operations and Maintenance	Interceptor Capital Expansion	White City Storm Drains	Stormwater Quality
Revenues:						
Charges for services	\$ 8,675,117	\$ -	\$ -	\$ -	\$ 76,375	\$ 419,458
System development charges	494,263	-	-	-	-	-
Reimbursements	479,357	-	-	-	-	-
Maintenance and other fees	504,785	49,642	-	434,367	-	33,250
Other revenue	609,468	-	-	-	-	674
Assessment loan repayments	49,179	-	-	-	-	-
Interest income	45,851	3,393	9,554	55,102	11,896	18,724
Total revenues	10,858,020	53,035	9,554	489,469	88,271	472,106
Expenditures:						
Personnel services	3,510,457	-	-	-	-	-
Materials and services	4,306,935	17,839	73,846	-	29,189	26,683
Debt service	170,970	-	-	269,102	-	-
Capital outlay	2,812,532	-	-	90,022	-	14,063
Total expenditures	10,800,894	17,839	73,846	359,124	29,189	40,746
Excess (deficiency) of revenues over (under) expenditures	57,126	35,196	(64,292)	130,345	59,082	431,360
Other financing sources (uses)						
Transfers in	796,998	170,588	150,000	344,457	-	-
Transfers out	(515,045)	(162,502)	(38,714)	-	(10,356)	(301,040)
Total other financing sources (uses)	281,953	8,086	111,286	344,457	(10,356)	(301,040)
Change in fund balance	339,079	43,282	46,994	474,802	48,726	130,320
Beginning fund balance	2,229,195	155,460	514,507	3,133,225	655,994	1,008,775
Ending fund balance	\$ 2,568,274	\$ 198,742	\$ 561,501	\$ 3,608,027	\$ 704,720	\$ 1,139,095

Shady Cove Treatment	Shady Cove Collection System	Shady Cove Capital	Gold Hill Treatment	Gold Hill Collection	Total
\$ 345,000	\$ -	\$ -	\$ 360,000	\$ -	\$ 9,875,950
-	-	-	-	-	494,263
-	-	-	-	-	479,357
42,429	-	60,000	-	-	1,124,473
500	-	-	-	-	610,642
-	-	-	-	-	49,179
-	-	-	-	-	144,520
<u>387,929</u>	<u>-</u>	<u>60,000</u>	<u>360,000</u>	<u>-</u>	<u>12,778,384</u>
-	-	-	-	-	3,510,457
106,803	21,019	-	64,568	2,150	4,649,032
-	-	-	-	-	440,072
-	1,784	42,493	-	-	2,960,894
<u>106,803</u>	<u>22,803</u>	<u>42,493</u>	<u>64,568</u>	<u>2,150</u>	<u>11,560,455</u>
<u>281,126</u>	<u>(22,803)</u>	<u>17,507</u>	<u>295,432</u>	<u>(2,150)</u>	<u>1,217,929</u>
-	80,000	-	-	60,000	1,602,043
<u>(272,151)</u>	<u>(49,071)</u>	<u>-</u>	<u>(210,752)</u>	<u>(42,412)</u>	<u>(1,602,043)</u>
(272,151)	30,929	-	(210,752)	17,588	-
8,975	8,126	17,507	84,680	15,438	1,217,929
<u>51,989</u>	<u>-</u>	<u>3,696</u>	<u>-</u>	<u>-</u>	<u>7,752,841</u>
<u>\$ 60,964</u>	<u>\$ 8,126</u>	<u>\$ 21,203</u>	<u>\$ 84,680</u>	<u>\$ 15,438</u>	<u>\$ 8,970,770</u>

Change in fund balance - budgetary basis	\$ 1,217,929
Change in recording full accrual receivables	(93,600)
Change in assessments receivable	(106,363)
Change in notes receivable	(512,806)
Change in inventory	6,064
Expenditures for capital assets	2,907,003
Contributed capital assets	1,235,769
Depreciation	(1,837,885)
Debt payment	332,183
Change in accrued interest and unamortized debt premium	38,320
Change in compensated absences	(258,099)
Change in net position	<u>\$ 2,928,515</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

General Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Revenues:			
Sewer service charges	\$ 8,568,338	\$ 8,675,117	\$ 106,779
System development charges	500,000	494,263	(5,737)
Reimbursements	240,000	479,357	239,357
Other fees and charges	175,500	504,785	329,285
Other revenues	108,000	609,468	501,468
Assessment loan repayments	55,000	49,179	(5,821)
Interest income	5,000	45,851	40,851
Transfers in	849,500	796,998	(52,502)
Beginning fund balance	1,306,399	2,229,195	922,796
Total resources	\$ 11,807,737	\$ 13,884,213	\$ 2,076,476
REQUIREMENTS			
Expenditures:			
Personnel services	\$ 3,636,757	\$ 3,510,457	\$ 126,300
Materials and services	4,335,939	4,306,935	29,004
Debt Service	170,970	170,970	-
Capital outlay	2,909,270	2,812,532	96,738
Contingency	150,000	-	150,000
Total expenditures	11,202,936	10,800,894	402,042
Transfers	500,000	515,045	(15,045)
Ending fund balance	104,801	2,568,274	(2,463,473)
Total requirements	\$ 11,807,737	\$ 13,884,213	\$ (2,076,476)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Bear Creek Interceptor Operations and Maintenance Fund

For the Year Ended June 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES			
Revenues:			
Maintenance fees	\$ 40,000	\$ 49,642	\$ 9,642
Interest income	<u>2,000</u>	<u>3,393</u>	<u>(1,393)</u>
Total revenues	42,000	53,035	8,249
Transfers in	150,000	170,588	20,588
Beginning fund balance	<u>234,086</u>	<u>155,460</u>	<u>(78,626)</u>
Total resources	<u>\$ 426,086</u>	<u>\$ 379,083</u>	<u>\$ (47,003)</u>
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 40,800	\$ 17,839	\$ 22,961
Contingency	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total expenditures	115,800	17,839	97,961
Transfers	175,000	162,502	12,498
Ending fund balance	<u>135,286</u>	<u>198,742</u>	<u>(63,456)</u>
Total requirements	<u>\$ 426,086</u>	<u>\$ 379,083</u>	<u>\$ 47,003</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Dunn Pump Station Operations and Maintenance Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Revenues:			
Interest income	\$ 3,000	\$ 9,554	\$ 6,554
Transfers in	150,000	150,000	-
Beginning fund balance	420,879	514,507	93,628
Total resources	\$ 573,879	\$ 674,061	\$ 100,182
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 82,400	\$ 73,846	\$ 8,554
Contingency	75,000	-	75,000
Total Expenditures	157,400	73,846	75,000
Transfers	24,000	38,714	(14,714)
Ending fund balance	392,479	561,501	(169,022)
Total requirements	\$ 573,879	\$ 674,061	\$ (100,182)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Interceptor Capital Expansion Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Revenues:			
Maintenance fees	\$ 400,000	\$ 434,367	\$ 34,367
Interest income	21,000	55,102	34,102
Transfers in	350,000	344,457	(5,543)
Beginning fund balance	3,128,034	3,133,225	5,191
Total resources	\$ 3,899,034	\$ 3,967,151	\$ 68,117
REQUIREMENTS			
Expenditures:			
Debt service	\$ 269,102	\$ 269,102	\$ -
Capital outlay	95,000	90,022	4,978
Contingency	350,000	-	350,000
Total Expenditures	714,102	359,124	354,978
Ending fund balance	3,184,932	3,608,027	(423,095)
Total requirements	\$ 3,899,034	\$ 3,967,151	\$ (68,117)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

White City Storm Drains Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Revenues:			
Storm drain fees	\$ 70,000	\$ 76,375	\$ 6,375
Interest income	5,000	11,896	6,896
Beginning fund balance	346,624	655,994	309,370
Total resources	\$ 421,624	\$ 744,265	\$ 322,641
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 20,000	\$ 29,189	\$ (9,189)
Capital outlay	50,000	-	50,000
Total Expenditures	70,000	29,189	50,000
Transfers	10,500	10,356	144
Ending fund balance	341,124	704,720	(363,596)
Total requirements	\$ 421,624	\$ 744,265	\$ 322,641

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Stormwater Quality Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Revenues:			
Stormwater fees	\$ 427,000	\$ 419,458	\$ (7,542)
Storm Water Maint Fees	-	8,500	8,500
Construction site erosion permits	10,000	24,750	14,750
Other revenue	3,000	674	(2,326)
Interest income	6,500	18,724	12,224
Beginning fund balance	986,580	1,008,775	22,195
Total resources	\$ 1,433,080	\$ 1,480,881	\$ 47,801
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 47,600	\$ 26,683	\$ 20,917
Capital outlay	301,000	14,063	286,937
Contingency	100,000	-	100,000
Total Expenditures	448,600	40,746	386,937
Transfers	221,000	301,040	(80,040)
Ending fund balance	763,480	1,139,095	(375,615)
Total requirements	\$ 1,433,080	\$ 1,480,881	\$ (47,801)

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Treatment Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Revenues:			
Shady Cove O & M fees	\$ 345,000	\$ 345,000	\$ -
Shady Cove septage fee	240,000	42,429	(197,571)
Other revenue	3,000	500	(2,500)
Total revenues	588,000	387,929	(200,071)
Beginning fund balance	153,036	51,989	(101,047)
Total resources	\$ 741,036	\$ 439,918	\$ (301,118)
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 148,110	\$ 106,803	\$ 41,307
Transfers out	510,000	272,151	237,849
Ending fund balance	82,926	60,964	21,962
Total requirements	\$ 741,036	\$ 439,918	\$ 301,118

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Collection System Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Transfers in	\$ 80,000	\$ 80,000	\$ -
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 25,000	\$ 21,019	\$ 3,981
Capital outlay	-	1,784	(1,784)
Total Expenditures	25,000	22,803	(2,197)
Transfers out	55,000	49,071	5,929
Ending fund balance	-	8,126	(8,126)
Total requirements	\$ 80,000	\$ 80,000	\$ -

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Shady Cove Capital Fund

For the Year Ended June 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES			
Revenues:			
Shady Cove Capital Fees	\$ 60,000	\$ 60,000	\$ -
Transfers in	150,000	-	(150,000)
Beginning fund balance	<u>587</u>	<u>3,696</u>	<u>3,109</u>
Total resources	<u>\$ 210,587</u>	<u>\$ 63,696</u>	<u>\$ (146,891)</u>
REQUIREMENTS			
Expenditures:			
Capital outlay	\$ 51,500	\$ 42,493	\$ 9,007
Ending fund balance	<u>159,087</u>	<u>21,203</u>	<u>137,884</u>
Total requirements	<u>\$ 210,587</u>	<u>\$ 63,696</u>	<u>\$ 146,891</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Treatment Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance With Final Budget
RESOURCES			
Revenues:			
Gold Hill treatment fees	\$ 360,000	\$ 360,000	\$ -
Connection Permits	500	-	(500)
Total resources	<u>\$ 360,500</u>	<u>\$ 360,000</u>	<u>\$ (500)</u>
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 117,600	\$ 64,568	\$ 53,032
Transfers out	242,000	210,752	31,248
Ending fund balance	900	84,680	83,780
Total requirements	<u>\$ 360,500</u>	<u>\$ 360,000</u>	<u>\$ 500</u>

ROGUE VALLEY SEWER SERVICES

Schedule of Budgeted and Actual Resources and Requirements - Budgetary Basis

Gold Hill Collection System Fund

For the Year Ended June 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
RESOURCES			
Transfers in	<u>\$ 38,000</u>	<u>\$ 60,000</u>	<u>\$ 22,000</u>
REQUIREMENTS			
Expenditures:			
Materials and services	\$ 5,000	\$ 2,150	\$ 2,850
Transfers out	33,000	42,412	(9,412)
Ending fund balance	<u>-</u>	<u>15,438</u>	<u>(15,438)</u>
Total requirements	<u>\$ 38,000</u>	<u>\$ 60,000</u>	<u>\$ (22,000)</u>

STATISTICAL SECTION



This part of Rogue Valley Sewer Services' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditors.

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Financial Trends	
These schedules contain trend information that may assist the reader in assessing the District's financial performance and placing it in historical perspective	34 -37
Revenue Capacity	
These schedules contain information that may assist the reader in assessing the District's most significant local revenue source, the District water rate.	38 - 40
Debt Capacity	
These schedules present information that may assist the reader in analyzing the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	41 - 42
Economic and Demographic Information	
These schedules offer economic and demographic indicators that may assist the reader in understanding the environment within which the District's financial activities take place.	43 - 44
Operating Information	
This schedule contains service data that may assist the reader in understanding how the information in the District's financial report relates to the services the District provides and the activities it performs.	45

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.





**Rogue Valley Sewer Services
Net Position by Component**

Table 1

for the last ten fiscal years - Unaudited

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Position Components				
Net investment in capital assets	\$ 82,974,802	\$ 80,122,932	\$ 79,058,152	\$ 78,859,446
Restricted	1,736,001	1,509,961	1,439,263	1,309,302
Unrestricted	7,366,108	7,515,503	5,709,530	3,833,966
Total Net Position	<u>\$ 92,076,911</u>	<u>\$ 89,148,396</u>	<u>\$ 86,206,945</u>	<u>\$ 84,002,714</u>

Source: Rogue Valley Sewer Services accounting records

Table 1

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 76,699,741	\$ 76,199,276	\$ 76,163,112	\$ 74,983,873	\$74,837,941	\$74,788,590
1,060,137	828,344	722,627	523,174	223,150	133,896
5,144,550	5,024,938	4,569,936	4,493,903	4,263,245	4,450,806
<u>\$ 82,904,428</u>	<u>\$ 82,052,558</u>	<u>\$ 81,455,675</u>	<u>\$ 80,000,950</u>	<u>\$79,324,336</u>	<u>\$79,373,292</u>

Rogue Valley Sewer Services

Table 2

Operating Results

for the last ten fiscal years - Unaudited

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenue				
Sewer service charges	\$ 9,782,350	\$ 8,767,177	\$ 8,041,172	\$ 6,994,396
Other operating revenues	1,634,133	1,736,385	1,428,711	1,439,449
	<u>11,416,483</u>	<u>10,503,562</u>	<u>9,469,883</u>	<u>8,433,845</u>
Operating expenses:				
Labor and fringe benefits	3,768,556	2,905,850	2,728,191	2,703,183
Treatment charges	3,226,022	3,001,448	2,748,900	2,497,440
Materials and services	1,470,837	1,400,725	1,199,064	1,300,210
Depreciation	1,837,885	1,829,777	1,862,091	1,741,477
	<u>10,303,300</u>	<u>9,137,800</u>	<u>8,538,246</u>	<u>8,242,310</u>
Operating income (loss)	1,113,183	1,365,762	931,637	191,535
Other nonoperating income (loss), net				
Gain(Loss) on disposition of asset	-	(14,664)	46,611	4,515
Interest income	154,869	90,764	38,101	39,989
Interest expense	(69,569)	(82,003)	(95,754)	(104,765)
	<u>85,300</u>	<u>(5,903)</u>	<u>(11,042)</u>	<u>(60,261)</u>
Developer contribution of plant	1,235,769	915,549	649,186	635,831
System development charges	494,263	639,308	606,851	328,157
Special assessments	-	26,735	27,599	3,024
Change in net assets	<u>\$ 2,928,515</u>	<u>\$ 2,941,451</u>	<u>\$ 2,204,231</u>	<u>\$ 1,098,286</u>

Source: Rogue Valley Sewer Services accounting records

Table 2

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 6,840,381	\$ 6,801,091	\$ 6,578,729	\$ 6,636,860	\$ 5,940,531	\$ 5,827,083
1,155,144	1,081,222	934,105	546,681	566,645	545,272
<u>7,995,525</u>	<u>7,882,313</u>	<u>7,512,834</u>	<u>7,183,541</u>	<u>6,507,176</u>	<u>6,674,349</u>
2,361,332	2,274,062	2,005,587	1,916,816	2,113,149	1,760,493
2,482,151	2,414,519	2,360,774	2,347,878	2,376,409	2,428,051
1,206,070	1,133,978	1,164,091	697,380	704,873	695,939
1,725,641	1,741,811	1,701,287	1,660,513	1,582,156	1,523,632
<u>7,775,194</u>	<u>7,564,370</u>	<u>7,231,739</u>	<u>6,622,587</u>	<u>6,776,587</u>	<u>6,408,115</u>
220,331	317,943	281,095	560,954	(269,411)	266,234
46,770	(3,746)	(2,973)	(9,142)	(17,346)	(13,518)
43,150	56,344	53,076	51,735	64,401	122,939
(93,650)	(178,252)	(190,153)	(185,391)	(89,482)	(64,730)
<u>(3,730)</u>	<u>(125,654)</u>	<u>(140,050)</u>	<u>(142,798)</u>	<u>(42,427)</u>	<u>44,691</u>
407,570	217,962	434,656	164,647	105,328	481,298
319,463	186,638	310,190	93,811	157,554	301,994
-	-	568,834	-	-	-
<u>\$ 943,634</u>	<u>\$ 596,889</u>	<u>\$ 1,454,725</u>	<u>\$ 676,614</u>	<u>\$ (48,956)</u>	<u>\$ 792,223</u>

Rogue Valley Sewer Services

Table 3

Permits Issued, Customers, Gallons Transmitted, Rates

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Number Permits Issued	Residential Units	Commercial Industrial Customers	Total Units/ Customers	Million Gallons Transmitted	Sewer Rates
2018	386	32,489	1,886	34,375	5,709	\$20.50
2017	362	31,844	1,862	33,706	7,424	19.60
2016	353	31,346	1,843	33,189	6,868	18.30
2015	364	30,985	1,838	32,823	6,378	15.90
2014	377	31,388	1,835	33,223	6,020	15.90
2013	300	29,654	1,885	31,539	6,611	15.90
2012	217	29,258	1,816	31,074	6,413	15.90
2011	165	28,774	1,795	30,569	7,148	15.90
2010	176	29,086	1,916	31,002	6,080	13.90
2009	234	28,229	1,655	29,884	6,119	13.90

Source: Rogue Valley Sewer Services accounting and engineering records

Note: Gallons transmitted includes all flows through interceptor pipe operated by RVS
 Amounts include the City of Medford and all other members of the Region

Rogue Valley Sewer Services Demographic Statistics

for the last ten fiscal years - Unaudited

Table 4

Fiscal Year Ended June 30th	RVS Population (Estimated) (1)	Population Jackson County (1)	RVS Personal Income (amounts expressed in thousands)	RVS Per Capita Income (2)	Unemployment Rate (3)	County Population Growth
2018	80,305	216,900	\$ 3,865,642	\$ 48,137	3.8%	1.5%
2017	79,410	213,765	3,577,341	45,049	4.2%	1.3%
2016	78,743	210,975	3,383,902	42,974	5.4%	1.2%
2015	77,985	208,375	3,250,493	41,681	6.2%	1.0%
2014	74,590	206,310	3,000,979	40,233	7.1%	0.8%
2013	74,283	204,630	2,881,140	38,786	7.8%	0.3%
2012	73,990	203,950	2,687,095	36,317	8.7%	0.4%
2011	73,696	203,206	2,733,753	37,095	11.1%	-1.8%
2010	72,095	207,010	2,573,792	35,700	12.1%	2.9%
2009	71,168	201,138	2,359,219	33,150	12.0%	-2.0%

Sources:

- (1) County population estimates are from data developed by Portland State University Population Research Center. Population for 2009/2010 has been estimated by RVS.
- (2) Qualityinfo.org website. Oregon personal income article.
- (3) State of Oregon Employment Dept/Economic Data

Rogue Valley Sewer Services Largest Consumption Customers

Table 5

for the last ten fiscal years - Unaudited

Customer name	June 30, 2018		June 30, 2008	
	Monthly Gallons	Percent Total	Monthly Gallons	Percent Total
Amy's Kitchen	8,467,416	4.6%	4,111,000	6.2%
Carestream Health Inc	3,940,236	2.1%	2,050,400	3.1%
Boise Cascade Corp - Antelope	3,853,134	2.1%	6,535,250	9.9%
VA Domiciliary	3,572,000	1.9%	2,209,666	3.3%
Roseburg Forest Products	3,571,803	1.9%	-	0.0%
Bear Creek Operations	1,937,355	1.1%	2,227,778	3.4%
Jackson County Public Works	1,659,000	0.9%	444,440	0.7%
Dry Creek Landfill Inc	1,150,000	0.6%	-	0.0%
Home Depot #8557	1,103,084	0.6%	463,199	0.7%
School Dist #9	1,027,000	0.6%	-	0.0%
	30,281,028	16.5%	18,041,733	27.2%
All other commercial customers	153,084,999	83.5%	48,257,159	72.8%
	183,366,027	100.0%	66,298,892	100.0%

The above gallons of sewer effluent are the monthly average for respective fiscal years.

Rogue Valley Sewer Services
Ratio of Outstanding Debt by Type

Table 6

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Bonds	Notes	Revolving DEQ Loans	Total		Percent of Personal Income
				Amount	Per Capita	
2018	\$ 3,060,000	\$0	-	\$3,060,000	\$38.86	0.090%
2017	3,350,000	42,183	-	3,392,183	43.08	0.100%
2016	3,635,000	150,654	-	3,785,654	48.08	0.112%
2015	3,915,000	316,562	-	4,231,562	54.26	0.130%
2014	4,372,358	477,160	-	4,849,518	65.02	0.162%
2013	4,685,204	632,656	-	5,317,860	71.59	0.185%
2012	-	778,248	5,141,599	5,919,847	80.01	0.220%
2011	-	919,129	4,880,884	5,800,013	78.70	0.212%
2010	-	1,055,484	3,899,444	4,954,928	68.73	0.193%
2009	-	1,187,491	3,812,618	5,000,109	70.26	0.212%

Notes:

Bonds include general obligation improvement bonds and limited tax and assessment bonds

Rogue Valley Sewer Services Debt Coverage Ratio

Table 7

for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30th	Operating Revenues	Less Operating Expenses	Net Available Revenues	Debt Payments			Coverage Ratio
				Principal	Interest	Total	
2018	\$ 11,416,483	\$ 8,465,415	\$ 2,951,068	\$ 332,183	\$ 107,889	\$ 440,072	6.71
2017	10,530,297	7,308,023	3,222,274	393,472	117,098	510,570	6.31
2016	10,104,333	6,676,155	3,428,178	445,908	130,435	576,343	5.95
2015	8,765,026	6,500,833	2,264,193	425,598	143,329	568,927	3.98
2014	8,314,988	6,049,553	2,265,435	430,496	147,001	577,497	3.92
2013	8,069,019	5,822,747	2,246,272	422,814	222,161	644,975	3.48
2012	7,874,496	5,530,452	2,344,044	387,032	211,877	598,909	3.91
2011	7,277,352	4,962,074	2,315,278	346,394	196,157	542,551	4.27
2010	6,664,730	5,194,431	1,470,299	216,083	244,727	460,810	3.19
2009	6,674,349	4,884,483	1,789,866	203,830	119,888	323,718	5.53

Notes:

Operating expenses exclude depreciation and amortization

**Rogue Valley Sewer Services
Number of Employees**

Table 8

for the last ten fiscal years - Unaudited

<u>Fiscal Year Ended June 30th</u>	<u>Administration</u>	<u>Information Technology</u>	<u>Engineering</u>	<u>Maintenance</u>	<u>Total</u>
2018	7.85	1.65	6.50	20.0	36.0
2017	6.00	1.65	6.35	19.0	33.0
2016	6.00	2.00	5.00	17.0	30.0
2015	6.0	2.0	5.0	16.0	29.0
2014	6.0	1.0	4.6	17.4	29.0
2013	8.0	0.0	10.0	13.0	31.0
2012	8.0	0.0	9.5	12.0	29.5
2011	8.0	0.0	11.0	11.0	30.0
2010	10.0	0.0	10.0	10.0	30.0
2009	10.0	0.0	9.0	11.0	30.0

Source: Rogue Valley Sewer Services accounting records

Rogue Valley Sewer Services Principal Employers

2018 and 10 years prior

Table 9

Employer		2018 (1)			Feb 2008		
		Employees	Rank	% of Total	Employees	Rank	% of Total
Asante	Health Care	4,231	1	4.33%	2,943	2	2.84%
Lithia Motors	Auto Dealership	3,000	2	3.07%	800	4	0.77%
Harry & David Operations	Gourmet Fruit	2,000	3	2.05%	3,500	1	3.38%
Rogue Valley Medical Center	Hospitals	1,638	4	1.68%	-		-
Allegiant Air	Commercial Airl	1,500	5	1.54%	-		-
Providence Medical Center	Health Care	1,300	6	1.33%	1,271	3	1.23%
Medford School District 549C	Schools	1,157	7	1.18%	-		-
Jackson County	County Gov't	1,027	8	1.05%	-		-
Wal-Mart Stores	Dept Stores	930	9	0.95%	-		-
Boise	Plywood Mills	875	10	0.90%	-		-
		<u>17,658</u>			<u>8,514</u>		

Note: Information is for the largest employers in Jackson County per the Chamber of Commerce 10/16/15

Source:

(1) Chamber of Commerce 1/29/2018 website - Largest employers in Jackson County

**Rogue Valley Sewer Services
Operating and Capital Indicators**

Table 10

for the last ten fiscal years - Unaudited

<u>Fiscal Year Ended June 30th</u>	<u>Miles of Sewer</u>	<u>Annual Line Capacity Million Gal</u>	<u>Annual Transported Million Gal</u>	<u>Unused Capacity Total</u>	<u>Percentage Capacity Utilized</u>
2018	406	42,340	5,709	36,631	13%
2017	404	42,340	7,424	34,916	18%
2016	398	42,340	6,868	35,472	16%
2015	398	42,340	6,378	35,962	15%
2014	397	42,340	6,020	36,320	14%
2013	396	42,340	6,611	35,729	16%
2012	395	42,340	7,018	35,322	17%
2011	395	42,340	7,147	35,193	17%
2010	392	42,340	6,080	36,260	14%
2009	392	42,340	6,119	36,221	14%

Notes:

Annual line capacity is measured at the entrance to the City of Medford Wastewater Treatment Plant. All flows into the treatment plant come through the District's interceptor system.

Annual transported in millions of gallons is also measured at the entrance of the Wastewater Treatment Plant on a calendar year basis. Data is provided at:

K:data/general/eng departmnet/cmom/flowdata/flows/fy18.



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR

REQUIRED BY STATE REGULATIONS



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITOR REQUIRED BY STATE REGULATIONS

To the Board of Directors
Rogue Valley Sewer Services
Jackson County, Oregon

We have audited the basic financial statements of Rogue Valley Sewer Services ("RVS"), as of and for the year ended June 30, 2018, and have issued our report thereon dated December 11, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Compliance

Compliance with laws, regulations, contracts and grants applicable to RVS is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of RVS' compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe RVS was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. Except for expenditures exceeding appropriations, see Note 2.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered RVS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RVS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RVS' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of RVS' financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and do not provide an opinion on the effectiveness of RVS' internal control or compliance. This report is intended for the information of RVS' board of directors and the Secretary of State, Division of Audits, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.



By Paul Nielson, a member of the firm
for Isler CPA
December 11, 2018